



Climate Action in Financial Institutions

PRINCIPLES FOR MAINSTREAMING CLIMATE ACTION

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Credit Agricole CIB Uses Sectoral and Issue-Based Cartography of Global Financed Emissions for Developing CSR Sector Policies

Principle

Related Work Stream(s)

<p>PRINCIPLE 4: IMPROVE Climate Performance</p>	 <p>MAPPING REPORTING INITIATIVES AND UNDERSTANDING IMPLEMENTATION CHALLENGES</p>
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Date Policy/Tool Established	How Established?	How Implemented	Additional Capacity Required (e.g., staff, resources, other)
2011 for the tool 2013 for completion of policies	Initiative decided by the senior management of the Bank. Tool developed in cooperation with academics at Paris Dauphine Finance and Sustainable Development Chair	Policies developed through a collaborative process (CSR, Risk, department, business lines) and implemented as part of the ESMS of the Bank.	Funding of an academic program for the development of the tool Training of commercial staff for implementation of the policies
Key Lessons			
<ul style="list-style-type: none"> • Collaboration with academics has helped develop the tool while ensuring that a sufficient level of understanding was internalized. • Achieving a comprehensive measuring of emissions has helped creating a consensus on priorities for the development of policies. • Collaboration with business lines in developing the policies has streamlined implementation of the policies. 			

Introduction

The Bank decided in 2009 to base the development of its CSR sector policies on an assessment of the relevance to climate change issue. This implied to quantify the materiality of climate change considerations according to sectors and involvement of the Bank. As no available methodology was deemed appropriate for measuring and mapping financed emissions of a Corporate and Investment Bank, a specific macro-economic approach was developed with the help of academics. An innovative aspect of the methodology developed was to allocate emissions from an issue-based perspective and not use the traditional scope-based perspective.

This issue-based perspective is based on the rule of allocating GHG emissions to sectors according to their capacity for reduction. The 'issue' of an economic agent is then the quantity of GHG emissions that this agent is liable to reduce in an economy where heavy restrictions on GHG emissions are introduced (carbon prices, taxes, standards). In this context the internalization of any additional cost would lead to a reduced demand for high-carbon, in favor of lower carbon, goods. The producer of the high carbon goods should then respond to the change in demand through 'innovation in processes' (efficiency savings throughout the product life). The GHG emissions targeted by these innovative approaches are the producer's 'issue'.

In addition to enabling, since 2011, the conventional carbon footprint calculations of the Bank to be complemented by an estimate of the carbon footprint related to the Bank's financing and investments, the tool developed has permitted to produce a mapping of issue-based financed emissions by sectors and countries. Based on this comprehensive assessment of the most significant sectors for the Bank with respect to climate change, it was decided to develop CSR sector policies for sectors representing together 80% of this issue-based carbon footprint.

The CSR sector policies then developed include analysis criteria that help investment decisions at a project/client level. They are completed with exclusion criteria intended to avoid investments in situations deemed unacceptable.

Development and Design

The methodology (PgXCA) was perfected by researchers at the Paris Dauphine Finance and Sustainable Development Chair that was created in 2006 through a partnership between the Bank, the University of Paris Dauphine, Ecole Polytechnique and EDF. A second version of this methodology was

developed in 2014 as part of a sector-based approach initiated by the Finance Club of the Corporate Societal Responsibility Observatory with the financial and technical support of ADEME and the Carbon Footprint Association and the technical support of the consultant Carbone4. This version offers a more traditional allocation by scope of greenhouse gas emissions to the various economic activities, in contrast to the allocation "by environmental challenge" proposed by the Finance and Sustainable Development Chair researchers.

Implementation

A first calculation was produced in 2011 that was improved in 2012. The cartography of financed emissions by sectors and countries, based on an issue-based perspective, indicated that two macro-sectors Energy and Transportation were concentrating together over 80% of Crédit Agricole CIB financed emissions, based on this issue-based approach.

As a consequence, two series of CSR sector policies were developed in 2012 for the Energy sector and in 2013 for the Transportation sector. Each policy contains analysis criteria that explicit how climate change considerations are taken into consideration by the Bank when reviewing transactions and support to clients in the said sector. Exclusion criteria have also been decided based on an analysis of the various sources defining the reference framework for each policy.

Each policy results from a collaborative work among CSR specialists, the credit risk department and the business lines who appear as the most concerned. Once a policy is validated and published, the implementation become compulsory for all transactions considered by the Bank as per its general environmental and social assessment and management system.

Experience and Impact

- It is possible to quantify and map financed emissions even for a very large and diversified institution such as an international Corporate and Investment Bank.
- The use of a macro-economic issue-based approach enables financial institutions to assess the materiality of climate change related issues by sector and countries, in absolute or relative terms.
- It is then possible to prioritize action and develop specific guidance for sectors and/or geographies that appear the most relevant

for each financial institution. This has been the case at Crédit Agricole CIB for developing CSR sector policies. This has also been used for defining the list of sectors and countries where specific enhanced due diligence relating to climate risks are being introduced.